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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the County Council
Prince George's County Government

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Prince George's County Government (the County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated March 29, 2019. Our report includes a reference to other auditors who audited the financial statements of Prince George's County Memorial Library System and Prince George’s County Community Television, Inc., all discretely presented component units, as described in our report on the County’s financial statements. This report does not include the results of the other auditor’s testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors. This report does not include the results of our testing of internal control over financial reporting or compliance and other matters for the Prince George’s County Public Schools, Prince George’s County Housing Authority, Prince George’s County Revenue Authority, Prince George’s County Industrial Development Authority, Prince George’s Community College and Prince George’s County Redevelopment Authority as we have issued a separate report for these entities. The financial statements of Prince George’s County Community Television, Inc. were not audited in accordance with Government Auditing Standards and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Prince George’s County Community Television, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiency.
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002 to be a significant deficiency.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the County’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The County’s Response to Finding
The County’s responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The County’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Baltimore, Maryland
January 31, 2019
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Members of the County Council
Prince George's County, Maryland

Report on Compliance for Each Major Federal Program
We have audited Prince George's County, Maryland’s (the County) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the County’s major federal programs for the year ended June 30, 2018. The County’s major federal programs are identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs.

The County’s basic financial statements also include the operations of the Prince George’s Community College, the Prince George’s Board of Education, the Prince George’s County Memorial Library System, the Prince George’s Community Television, Inc., the Revenue Authority of Prince George’s County, the Prince George’s County Housing Authority, Prince George’s County Industrial Development Authority, and the Prince George’s County Redevelopment Authority which may have received federal awards, and which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of these entities because other auditors were engaged to perform audits (when required) in accordance with the Uniform Guidance.

Management’s Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors’ Responsibility
Our responsibility is to express an opinion on compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.
We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal programs. However, our audit does not provide a legal determination of the County’s compliance.

**Opinion on Each Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2018.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003 and 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

The County’s responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Report on Internal Control Over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However,
we did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003 and 2018-004, that we consider to be significant deficiencies.

The County’s responses to the internal control over noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements. We issued our report thereon dated January 31, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our report includes a reference to other auditors who audited the financial statements of Prince George’s County Memorial Library System and Prince George’s County Community Television, Inc., as described in our report on the County’s financial statements. The federal expenditures, where applicable, for the Board of Education of Prince George’s County, the Prince George’s Community College, the Prince George’s Housing Authority, the Prince George’s Memorial Library, and the Prince George’s Community Television, Inc., are not included in the accompanying schedule of expenditures and federal awards. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County’s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.
PRINCE GEORGE'S COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

See accompanying Notes to Schedule of Expenditures of Federal Awards.
PRINCE GEORGE’S COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

See accompanying Notes to Schedule of Expenditures of Federal Awards.

(7)
## PRINCE GEORGE'S COUNTY GOVERNMENT
### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
### YEAR ENDED JUNE 30, 2018

<table>
<thead>
<tr>
<th>Federal Agency/Pass-Through Entity</th>
<th>Federal Catalog Number</th>
<th>Pass-Through Entity Number</th>
<th>Federal Expenditures by Program</th>
<th>Total Federal Expenditures</th>
<th>Sub-Recipient Expenditures</th>
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<tbody>
<tr>
<td><strong>U.S. DEPARTMENT OF TRANSPORTATION (DOT)</strong></td>
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<tr>
<td><strong>PASS-THROUGH MARYLAND DEPARTMENT OF</strong></td>
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<td><strong>TRANSPORTATION (MDOT)</strong></td>
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<td>Motor Carrier Safety Assistance</td>
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<td>Subtotal Federal Transit Cluster</td>
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<td>Formula Grants for Rural Areas</td>
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<td>Statewide Specialized Transportation Assistance Program (Section 5311)</td>
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<td>Subtotal Highway Planning and Construction Cluster</td>
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<td>Programs of the State and Community Highway Safety Cluster:</td>
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<tr>
<td>Subtotal State and Community Highway Safety Cluster</td>
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<tr>
<td><strong>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</strong></td>
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<td><strong>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (CNCS)</strong></td>
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<td>Direct</td>
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<td>Programs of the Foster Grandparent/Senior Companion Cluster:</td>
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<td>146,017</td>
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<td>Subtotal Foster Grandparent/Senior Companion Cluster</td>
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<td>Retired and Senior Volunteer Program</td>
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<td>Community RSVP</td>
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<td><strong>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</strong></td>
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<td><strong>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)</strong></td>
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<td>SOC Implementation</td>
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<td>Office of Home Energy Programs</td>
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<tr>
<td><strong>PASS-THROUGH MARYLAND DEPARTMENT OF</strong></td>
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<td><strong>HEALTH AND MENTAL HYGIENE (DHMH)</strong></td>
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<td>Substance Abuse and Mental Health Services-Projects of Regional and National Significance</td>
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<td>Tuberculosis Control</td>
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See accompanying Notes to Schedule of Expenditures of Federal Awards.
### PRINCE GEORGE'S COUNTY GOVERNMENT
### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
### YEAR ENDED JUNE 30, 2018

See accompanying Notes to Schedule of Expenditures of Federal Awards.
### PRINCE GEORGE'S COUNTY GOVERNMENT
### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
### YEAR ENDED JUNE 30, 2018

See accompanying Notes to Schedule of Expenditures of Federal Awards.
### U.S. DEPARTMENT OF HOMELAND SECURITY (DHS)

#### Direct
- Hazard Mitigation Grant
  - Staffing Adequate Fire/Emergency Response
    - Federal Catalog Number: 97.083
    - Pass-Through Entity Number: 1,294,530
  - Assistance to Firefighters
    - Federal Catalog Number: 97.044
    - Pass-Through Entity Number: 331,531
- Homeland Security Biowatch
  - Biowatch
    - Federal Catalog Number: 97.091
    - Pass-Through Entity Number: 1,288,736

**Subtotal Direct Programs**
- Federal Expenditures: 2,914,797
- Sub-Recipient Expenditures: 2,914,797

#### PASS-THROUGH MARYLAND EMERGENCY MANAGEMENT AGENCY (MEMA)
- Emergency Management Performance Grants
  - Emergency Management Performance Grant
    - Federal Catalog Number: 97.042
    - Pass-Through Entity Number: 16-SRB854-01
    - Total Expenditures: 285,801
  - Homeland Security Grant Program
    - Hazard Mitigation
      - Biowatch
        - Federal Catalog Number: 97.067
        - Pass-Through Entity Number: 17-SRB854-02
        - Total Expenditures: 134,219

**TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY**
- Federal Expenditures: 6,807,320

### U.S. ENVIRONMENTAL PROTECTION AGENCY

#### Direct
- Solid Waste Management Assistance Grants
  - Food Scrap Composting
    - Federal Catalog Number: 66.808
    - Total Expenditures: 13,190

**Subtotal Direct Programs**
- Federal Expenditures: 13,190

#### PASS-THROUGH MARYLAND

#### DEPARTMENT OF THE ENVIRONMENT (MDOE)
- Chesapeake Bay Program
  - CBT Green Retrofit
    - Federal Catalog Number: 66.466
    - Total Expenditures: 50,000
  - MDE Urban Retrofit
    - Federal Catalog Number: 66.466
    - Total Expenditures: 30,000

**TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY**
- Federal Expenditures: 243,190
- Sub-Recipient Expenditures: 243,190

**TOTAL FEDERAL GRANT EXPENDITURES**
- Federal Expenditures: 81,754,437
NOTE 1  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards presents the activity of all Federal award programs of Prince George's County, Maryland (the County), as defined in Note 1(a) to the County's basic financial statements. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies or other entities are included in the schedule.

NOTE 2  BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. It includes all Federal awards to the County which had expenditure activity during the year ended June 30, 2018. Several programs are jointly funded by State of Maryland appropriations and Federal awards. The schedule of expenditures of federal awards reflects only that part of the grant activity funded by Federal awards.

NOTE 3  NONCASH FEDERAL AWARDS

Food Vouchers – U.S. Department of Agriculture (USDA): The Special Supplemental Food Program for Women, Infants, and Children (WIC) is a state of Maryland administered program that uses local governments to assist in screening participant eligibility and distribution of WIC vouchers. Distributed WIC vouchers are issued, controlled, collected, valued, audited, and canceled by the state of Maryland. These amounts are included in the schedule of expenditures of federal awards.

NOTE 4  LOAN PROGRAMS

The County participates in the Home Investment Partnerships (HOME) and Community Development Block Grant (CDBG) federal loan programs. The outstanding loan balances as of June 30, 2018 were $20,696,570 and $5,836,368, respectively.

NOTE 5  INDIRECT COSTS

The County did not elect the 10% de minimis indirect cost rate.
Section I – Summary of Independent Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified

2. Internal control over financial reporting:
   - Material weakness(es) identified? __x____ yes ________ no
   - Significant deficiency(ies) identified that are not considered to be material weakness(es)? __x____ yes ________ none reported

3. Noncompliance material to financial statements noted? ________ yes __x____ no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? ________ yes __x____ no
   - Significant deficiency(ies) identified that are not considered to be material weakness(es)? __x____ yes ________ none reported

2. Type of auditors’ report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __x____ yes ________ no

Identification of Major Federal Programs

<table>
<thead>
<tr>
<th>Name of Federal Program or Cluster</th>
<th>CFDA Number(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD – Community Development Block Entitlement Grant Cluster – ARRA</td>
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<td>HUD – Home Investment Partnerships Program</td>
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<td>HHS – Medical Assistance Program</td>
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<tr>
<td>HHS – HIV Emergency Relief Project Grants</td>
<td>93.914</td>
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</tbody>
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Dollar threshold used to distinguish between Type A and Type B programs: $2,452,633

Auditee qualified as low-risk auditee? ________ yes __x____ no
Finding 2018-001: Material Weakness in Internal Control Over Financial Reporting (Loan Accounting)

Condition
The County’s current process for loan recordation involves management disbursing payments on a cash basis throughout the year and performing a year end reconciliation to identify loans outstanding. During our testing of the reconciliation and outstanding loan balance we identified several transactions that were not properly recorded. Material adjustments were made to properly account for the transactions. We noted the following:

- Approximately $860,000 of disbursements made during the year were omitted from the outstanding loan balance.
- Approximately $1,024,622 of loan activity was recorded as both unearned revenue and revenue; as well as both expenditures and loan receivables.
- Loan balances of $7,855,109 disbursed in previous years were omitted improperly from the beginning outstanding loan balance.

Criteria
Chapter 9 of The Governmental Accounting, auditing and financial reporting states revenue should be recognized in governmental funds as soon as the government obtains a claim to resources, but only to the extent that the resources will be received soon enough to be used to liquidate liabilities of the current period. Thus an inflow related to a loan disbursement could not be recorded as both an unearned and earned amount. In addition an outflow related to a loan disbursement would be recorded as a receivable.

Cause
Supervisory review over the loan process did not detect the errors that were included in the financial statements of the County.

Effect
Material auditor-proposed adjusting journal entries were required to present the financial statements in accordance with generally accepted accounting principles.

Recommendation
We recommend that management review and strengthen its policies and procedures to ensure accurate GAAP financial reporting.

Views of responsible officials and planned corrective actions
Loans are recorded based on information received from the Department of Housing and Community Development. Agency and management have already begun to review the processes to record notes and loans receivable. More discussion of the issue will take place with the Department of Housing and Community Development and the auditors as needed.
Finding 2018-002: Significant Deficiency in Internal Control over Financial Reporting (Timely Reporting)

**Condition**
The County was not able to complete the preparation of their financial statements in accordance with the State of Maryland time constraints, resulting in the need to obtain an extension.

**Criteria**
COSO/Internal Control Framework defines control activities as “policies and procedures that help ensure management's directives are carried out.” This would include preparation of financial statements in a timely manner.

Article 19 section 40(a) of the Annotated Code of Maryland states that each county, incorporated city or town, and special taxing) is required to have its accounting records audited each fiscal year as to the methods, accuracy, and legality of the accounts, records, files, and reports. In general, a copy of the audit report must be submitted to the Legislative Auditor on such forms or in such manner as prescribed by the Legislative Auditor by November 1 after the close of the fiscal year or by January 1 after the close of the fiscal year for those local governments with a population of more than 400,000.

**Cause**
This is a result of the limited resources of the County and internal administrative and personnel issues.

**Effect**
Delays were experienced in preparing closing entries and obtaining final trial balances, schedules, reconciliations and other financial reports needed by management and the auditors. This resulted in the ultimate delay in producing the financial statements for the period under audit.

**Recommendation**
We recommend that management review current staffing to determine the sufficiency of resources to adequately close the books at year-end and prepare the financial statements in a timely manner in accordance with State requirements. We believe that the year-end closing could proceed more quickly by adhering to the closing schedule and maintaining timely account reconciliations. The timing of specific procedures should be coordinated with the timing of the need for the information. Progress should be monitored by management to determine that due dates are being met.

**Views of responsible officials and planned corrective actions**
Concur with observation regarding staffing levels. The County as well as the Accounting and Reporting section annually establishes a year end closing schedule. The Accounting and Reporting section is in the process of hiring additional personnel. If needed, temporary personnel will be brought in to meet the December 31st deadline.
Finding Reference: 2018-003
Federal Agency: U.S. Department of Housing and Urban Development
Compliance Requirement: Special Tests and Provisions – Environmental Reviews
Type of Finding: Significant Deficiency in Internal Control, Noncompliance
Federal Program: 14.218 – Community Development Block Grant Cluster
Grant Award: B17-UC-24-0002
Prior Year Finding Number: 2017-003

Condition/Context
The County failed to properly document the completion of the environmental review for 3 out of 60 rehabilitation projects.

Criteria
2 CFR 200.303 requires an entity to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Uniform Guidance states that projects must have an environmental review unless they meet criteria specified in the regulations that would exempt or exclude them from environmental certification requirements (24 CFR sections 58.1, 58.22, 58.34, 58.35, 570.604).

Cause
The County did not consistently perform their established procedures.

Effect
The County may have approved projects that were not compliant with the environmental review requirement which may result in project expenditures being unallowed.

Questioned Costs
Based on the available information we are unable to determine if there were unallowed costs.

Recommendation
We recommend that the County consistently perform established procedures to ensure that all approved projects meet the environmental review requirement. The review and results are documented prior to the approval and commencement of the CDBG-funded project.

Views of responsible officials and planned corrective actions:
See Corrective Action Plan
Section III – Federal Award Findings and Questioned Costs (Continued)

Finding Reference: 2018-004
Federal Agency: U.S. Department of Housing and Urban Development
Compliance Requirement: Special Tests and Provisions – Maximum Per-Unit Subsidy
Type of Finding: Significant Deficiency in Internal Control, Non-Compliance
Federal Program: 14.239 Home Investment Partnerships Program (HOME)
Grant Award: M17-UC-24-0505
Prior Year Finding Number: 2017-004

Condition/Context
The County failed to document their review of the maximum per-unit Subsidy for multi-family home loans for 1 out of 5 loans selected for testing.

Criteria
2 CFR 200.303 requires an entity to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The per-unit investment of HOME funds may not exceed the Federal Housing Administration (FHA) mortgage limits in Subsection 221(d)(3) of the National Housing Act, including any area-wide high cost exceptions approved by HUD. This information should be available from the grantee or the local HUD field office.

Cause
The County did not have appropriate controls in place to ensure that per-unit investment for all HOME projects were examined to determine that the costs are reasonable.

Effect
As a result of the finding, the County may have multiple families who did not meet the requirements necessary to receive assistance under the program.

Questioned Costs
Undetermined based on the information provided.

Recommendation
We recommend that the County implement procedures to ensure that each housing project's average per-unit investment in HOME-assisted units does not exceed the applicable Subsection 221 (d)3 limit prior to the commitment of HOME funds to a project.

Views of responsible officials and planned corrective actions:
See Corrective Action Plan